Monetizing Your Decentralized Project

(Sustainably)

Agenda

- Personal Experience
- Some Models
- Takeaways

Outcome: More discussion and thought across the decentralized tech community about how to build real business models to sustain projects

Disclaimer: I do not have all the answers and I do not believe there is a silver bullet.

2024 DWeb Workshop

Co-Presented with Arthur Brock (Holochain)

All Good Things Begin With A Story…

This is a story about learning from failure

Decentralization To The Rescue

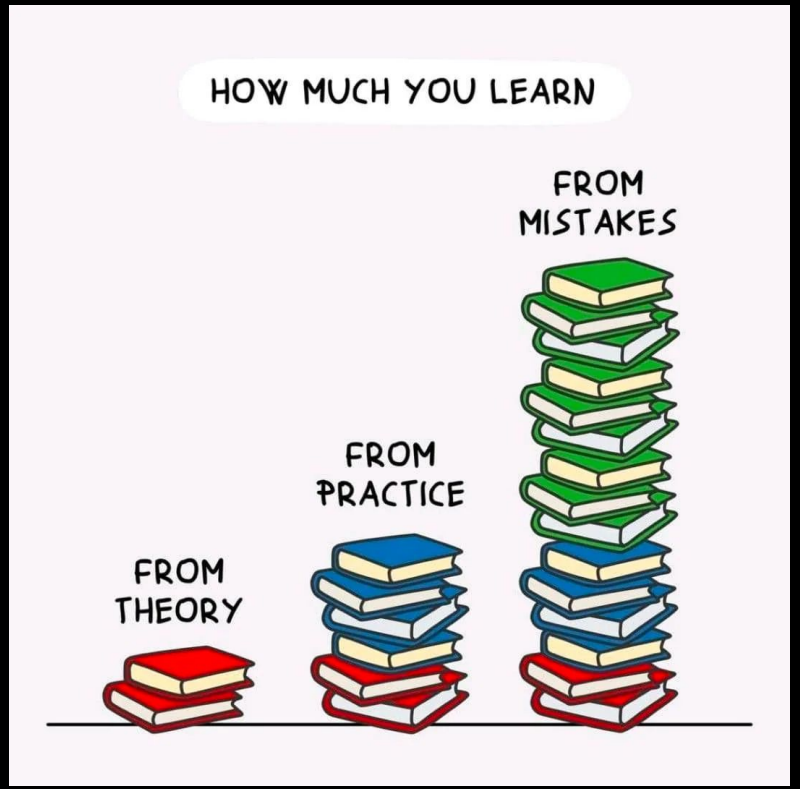
- 2022 I quit my job to solve a problem.
  - Immigration was way harder than I thought it should be. Let’s fix it.
- Decentralized Identity: A avenue to radically change the space.
  - DWeb Camp in 2022. Met some amazing people.
- Solve The Problem. Figure out Monetization Later.
  - Big Mistake

2022 DWeb Camp

Mistakes Made

As a builder trying to solve a problem, I ran into the mistake “solve the problem first, monetize later”.

- Too much reliance on VC’s to understand the larger problem context.
  - For smaller companies: VCs will ask, “How will you make money” is a question you need to often answer.
- Pinning Against New Tech That Nobody Understood:
  - Not only did we have to convince people of our product, we had to convince people of the space and core technology.
  - Weakened by a lack of a clear market/route to monetization
    - SaaS Model on new tech



Lock-In Incentive

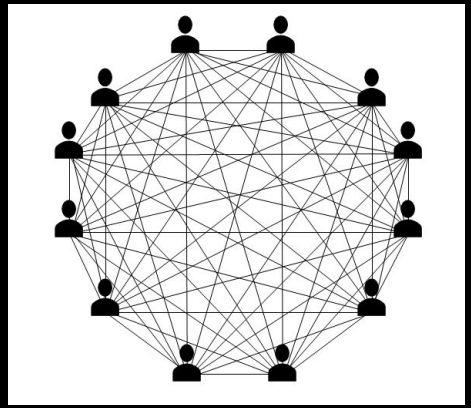
The incentives were misaligned with our values. Our incentives were to lock customers in, but our we wanted to to the exact opposite.

Network Dependencies

A lot of decentralized projects have a “network effect” requirement to give value. – aka. The cold start problem.

This can mean external funding is required to bootstrap minimal network effects.

Exceptions exist, but most the non-vc funded decentralized projects end up “hobbyist” and “on the side”.

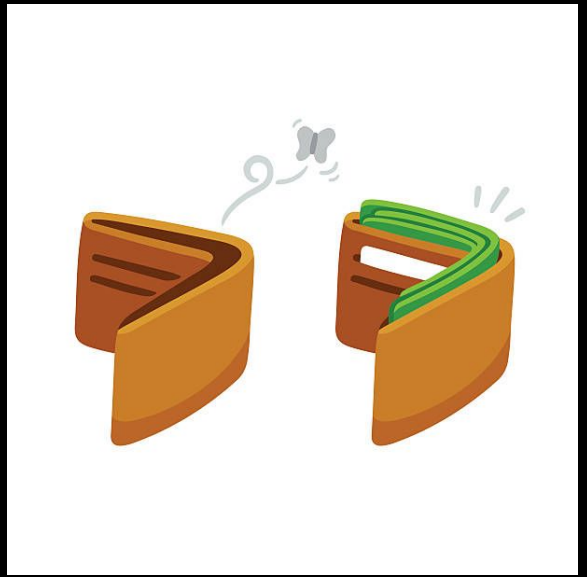


2024 Workshop

- Zero Party Ads
- Transaction Fee
- Content Creators Getting Paid from Yield on Investor Funds
- Civic Funding Pot
- Monetizing through new channels
- Funded By Retrofunding on Optimism Assessment
- Grants
- Open Source Knowledge Donation
- Impact Certificate Grant
- Membership Fee
- Open Standard Coordination
- Marketplace Revenue

Profit Effort In Decentralization?

- Subscription: Often requires a centralized API somewhere and encourages vendor lock-in.
- Usage Based : Requires high volume for sustainability and reporting to some centralized API.
- In Decentralized Identity various models are being tested right now. Some Examples:
    - Verification Consumption Models
    - SaaS Issuance/Verification Service Models
    - Network Membership Models
    - Service Based Bridge Models
        - On/Off Ramps to Various Institutions/Ecosystems
    - Self Sovereign Data Markets (i.e Holders Selling Their Data)
        - Zero Party Ads
    - Namespace Real-Estate (selling a namespace)
    - Tokens
    - Network/Operating Service Fees
    - Infrastructure Service Model
    - Transaction Fees



Other Monetization Approaches

- Grants
- Donations
- Membership Fees
- Service Fees: Case Study – Linux Foundation:
  - ~177M in 2022 mostly from Program Services net ~17M.
  - $600 annual subscription fee for individuals.
  - They also charge membership organizations for participation

Looking for methods that take lower energy

Open Collective 2022
https://blog.opencollective.com/ocf-2022/

Takeaways

- As a builder solving a problem, please think about how your solution aligns with a monetization strategy.
  - “This solves X problem but I can’t monetize it” <- may make it really hard for a project to grow.
- Consider angles of decentralization.
  - We have a tendency to apply the word “decentralization” broadly. There are many angles to decentralized, and cases where centralization can be more appropriate.
- Often bridging the “cold start” problem means aligning with larger networks and thinking about how you can bridge against them.
  - New Channels

2 Needs

- Clearer paths toward profitability for decentralized projects?
- Better Incentive Alignment Between Money and Decentralized Efforts